

Registered number: 11190898

SIG (IFC) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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SIG (IFC) LIMITED

COMPANY INFORMATION

Directors	Ian Jackson Andrew Watkins (appointed 31 March 2021)
Registered number	11190898
Registered office	Adsetts House 16 Europa View Sheffield England S9 1XH
Independent auditors	Ernst & Young LLP Statutory Auditor 2 St Peter's Square Manchester M2 3DF

SIG (IFC) LIMITED

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SIG (IFC) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the Financial Statements for the year ended 31 December 2020.

SIG (IFC) Limited ("the Company") was incorporated on 6 February 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The Company's principal activity is to acquire and realise value from a managed pool of customer receivables in order to fund interest payments to the SIG 2018 Scottish Limited Partnership.

In March 2018, the Company's immediate parent company, SIG Trading Limited, and the Trustees of the SIG plc Retirement Benefits Plan ("the Plan") agreed to fund the pension deficit indicated by the latest triennial valuation and increase the security of the Plan using an asset backed funding arrangement using a partnership arrangement. The arrangement transfers certain rights over a managed pool of customer receivables of SIG Trading Limited to the SIG 2018 Scottish Limited Partnership. The Company acquires the beneficial ownership of the receivables pool under a master receivables purchase agreement at a discount with consideration in the form of a loan note instrument and a subordinated debt facility owed to SIG Trading Limited. The loan note was subsequently assigned to the SIG 2018 Scottish Limited Partnership and is listed at the International Stock Exchange Authority Ltd. The Company uses income from the receivables to fund annual loan note payments to the SIG 2018 Scottish Limited Partnership.

The first annual loan payment in 2019 was not made in accordance with the terms of the loan note agreement, which was amended subsequent to the 2019 year end and the first payment deferred until the end of the loan term. The breach of the loan note agreement was waived by a formal deed of waiver during 2020 such that the arrangement continues to operate as intended.

SIG (IFC) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Director

The Director who served during the period and subsequently was:

Ian Jackson
Kulbinder Dosanjh (resigned 31 March 2021)
Andrew Watkins (appointed 31 March 2021)

Going concern

For the year ended 31 December 2020 the Company incurred a loss before tax of £1.0m (2019: £1.0m) and at the end of the year had net liabilities of £2.2m (2019: £1.2m). The Company has no third-party bank loans or overdrafts. In determining whether the Company's 2020 Financial Statements can be prepared on a going concern basis, the Directors considered all factors, likely to affect its future development, performance and its financial position including uncertainties relating to cash flows, liquidity position and its trading activities.

Breaches of the loan note and receivables purchase agreement during 2019 have been waived by a formal deed of waiver during 2020 such that the arrangement continues to operate as intended. The Directors have also received a letter of support from the Company's ultimate parent company, SIG plc, confirming that it will continue to provide financial support to the Company in meeting its liabilities as and when they fall due if needed. The financial support will continue from the date of approval of these financial statements to 30 June 2022. The Directors have also considered that the Company holds legal title to the receivables purchased under the master receivables purchase agreement in the event of insolvency of the Company's immediate parent company, SIG Trading Limited.

The Directors have considered SIG plc's ability to provide this financial support in order to assess whether it is appropriate to place reliance on it and have considered the impact of uncertainties on the cash flows of SIG plc ("the Group") and the Company. The Directors have assessed that, in a scenario where financial support was required from SIG plc, the quantum of support would likely be the net liabilities of the Company given the offsetting nature of the intragroup debtors and creditors.

The base forecasts indicate that the Group will be able to operate within the covenants for the forecast period to 30 June 2022. The Directors of SIG (IFC) Limited have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its future banking covenants, including:

- A decline in market conditions resulting in lower than forecast sales;
- Implementation of the new strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- A further wave of the Covid-19 pandemic; and
- The terms of the Group's revised lending arrangements and whether these could limit investment in growth opportunities.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks. The Group has considered a plausible downside scenario, factoring in a reduction in sales volumes and a reduction in gross margin, offset by reductions in direct expenditure and discretionary operating costs. The results showed that under this scenario the Group will still be able to operate within the covenants with adequate headroom for the forecast period to 30 June 2022.

In considering the impact of these stress test scenarios the Directors have also reviewed realistic additional mitigating actions that could be taken over and above those already included in the downside scenario forecast to avoid or reduce the impact or occurrence of the underlying risks. These include further reductions to operating costs, cutting discretionary capital expenditure and disposing of non-core assets.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 30 June 2022 and support, if required, the Company. The Directors therefore consider it is appropriate to adopt the going concern basis in preparing the 2020 Financial Statements of the Company.

SIG (IFC) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 30 June 2021 and signed on its behalf.



Andrew Watkins
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG (IFC) LIMITED

Opinion

We have audited the Financial Statements of SIG (IFC) Limited (the 'Company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

How we evaluated management's assessment

- We understood the operating structure of the Company, and the arrangement with SIG Trading Limited, SIG Scots Co Limited, and The SIG 2018 Scottish Limited Partnership whereby certain receivables were transferred to the Company as security for payments to SIG Retirement Benefits Plan Trustee Limited (the UK defined benefit pension scheme), including the legal right to the receivables and the ongoing ability to access further receivables as settlement takes place.
- We have obtained and inspected a copy of the letter of support issued by the directors of SIG plc to the directors of the Company confirming their support through to 30 June 2022.
- We have obtained the annual report and accounts of SIG plc for the 12 months ended 31 December 2020 and reviewed latest market announcements and trading updates to further corroborate the financial position of SIG plc.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG (IFC) LIMITED

How we evaluated management's assessment (continued)

- We have made inquiries of the EY audit team which audits SIG plc to assess the ability of SIG plc to provide financial support to the Company until 30 June 2022. The Group audit team have performed the following procedures in relation to Management's going concern assessment of SIG plc:
 - Obtained Group management's assessment prepared on 17 March 2021 supporting their ability to provide the ongoing financial support pledged
 - Assessed the completeness of the risks and uncertainties identified by Group management in relation to their going concern assessment including the impact of COVID-19, and the impact of the risks and uncertainties identified on the ability of SIG plc to provide support to the Company.
 - Confirmed the forecasts of SIG plc, including a reasonable worst-case scenario, indicate the Group will operate within covenant requirements during the going concern period and has sufficient available liquidity.
 - Performed additional audit procedures in respect of the period between 25 March 2021, the date of the audit opinion on the annual report and accounts of SIG plc for the year ended 31 December 2020, and the date of approval of these financial statements to determine whether there have been any changes that would require us to reconsider the conclusions of Group management.
- We reviewed the Company's going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Our key observations

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern through to 30 June 2022 given the ability to rely on the parental support.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which have the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters are addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters.

In the prior year, our auditor's report included a key audit matter in relation to going concern, including compliance with debt covenants. In the current year, this is no longer a key audit matter on the basis the risk to the group of a downturn in performance which may affect covenant compliance has reduced. The procedures over going concern are included above.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG (IFC) LIMITED

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £350,000 (2019: £420,000), which is 1% (2019: 1%) of Total Assets. We believe that total assets provides us with the key focus of the primary stakeholders of SIG (IFC) Limited given the activities of the Company.

During the course of our audit, we reassessed initial materiality and no revisions were required.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £263,000 (2019: £315,000). We have set performance materiality at this percentage due to the absence of misstatement in the prior period audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with management that we would report to them all uncorrected audit differences in excess of £18,000 (2019: £21,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Directors' Report set out on pages 1-3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG (IFC) LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are frameworks, which are directly relevant to specific assertions in the financial statements, are those that relate to the reporting framework (UK Accounting Standards, FRS 101, the Companies Act 2006) and the UK tax compliance regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIG (IFC) LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how SIG (IFC) Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing with a focus on manual journal entries, enquiries of legal counsel, and enquiries of group management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Accounts with the requirements of the relevant accounting standards and UK legislation

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Colin Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date: 30 June 2021

SIG (IFC) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Interest receivable and similar income	5	1,043	1,241
Interest payable and similar expenses	6	(2,000)	(2,228)
Loss before tax		(957)	(987)
Tax on loss	7	317	325
Loss for the financial period		(640)	(662)

There was no other comprehensive income in the period other than that included in the results above, therefore, no separate Statement of Comprehensive Income has been presented.

The results of the Company arose from continuing operations.

The notes on pages 12 to 20 form part of these Financial Statements.

SIG (IFC) LIMITED
REGISTERED NUMBER:11190898

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Debtors: amounts falling due after more than one year	8	34,489	-
Debtors: amounts falling due within one year	8	874	33,938
Cash at bank and in hand		-	8,075
		<u>35,363</u>	<u>42,013</u>
Creditors: amounts falling due within one year	10	(2,500)	(43,212)
Total assets less current liabilities		<u>32,863</u>	<u>(1,199)</u>
Creditors: amounts falling due after more than one year	11	(34,702)	-
Net liabilities		<u>(1,839)</u>	<u>(1,199)</u>
Capital and reserves			
Called up share capital	12	-	-
Retained losses		(1,839)	(1,199)
Equity		<u>(1,839)</u>	<u>(1,199)</u>

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 30 June 2021.



Andrew Watkins
 Director

The notes on pages 12 to 20 form part of these Financial Statements.

SIG (IFC) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Profit and loss account £000	Total equity £000
At 1 January 2019	(537)	(537)
Loss for the year	(662)	(662)
At 1 January 2020	(1,199)	(1,199)
Loss for the year	(640)	(640)
At 31 December 2020	(1,839)	(1,839)

The notes on pages 12 to 20 form part of these financial statements.

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies

Basis of preparation of Financial Statements

The Company is a private company and is incorporated and tax resident in the UK. The address of the registered office is given in the Company Information section.

The Financial Statements are presented in Pounds Sterling, the Company's functional currency.

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

FRS 101 sets out a reduced disclosure framework for a qualifying entity that would otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The Company is a qualifying entity for the purposes of FRS 101. Note 13 details the Company's ultimate parent and from where its Consolidated Financial Statements, prepared in accordance with IFRS, can be obtained.

Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Going concern

For the year ended 31 December 2020 the Company incurred a loss before tax of £1.0m (2019: £1.0m) and at the end of the year had net liabilities of £2.2m (2019: £1.2m). The Company has no third-party bank loans or overdrafts. In determining whether the Company's 2020 Financial Statements can be prepared on a going concern basis, the Directors considered all factors likely to affect its future development, performance and its financial position including uncertainties relating to cash flows, liquidity position and its trading activities.

Breaches of the loan note and receivables purchase agreement during 2019 have been waived by a formal deed of waiver during 2020 such that the arrangement continues to operate as intended. The Directors have also received a letter of support from the Company's ultimate parent company, SIG plc, confirming that it will continue to provide financial support to the Company in meeting its liabilities as and when they fall due if needed. The financial support will continue from the date of approval of these financial statements to 30 June 2022. The Directors have also considered that the Company holds legal title to the receivables purchased under the master receivables purchase agreement in the event of insolvency of the Company's immediate parent company, SIG Trading Limited.

The Directors have considered SIG plc's ability to provide this financial support in order to assess whether it is appropriate to place reliance on it and have considered the impact of uncertainties on the cash flows of SIG plc ("the Group") and the Company. The Directors have assessed that, in a scenario where financial support was required from SIG plc, the quantum of support would likely be the net liabilities of the Company given the offsetting nature of the intragroup debtors and creditors.

The base forecasts indicate that the Group will be able to operate within the covenants for the forecast period to 30 June 2022. The Directors of SIG (IFC) Limited have considered the following principal risks and uncertainties that could potentially impact the Group's ability to fund its future activities and adhere to its future banking covenants, including:

- A decline in market conditions resulting in lower than forecast sales;
- Implementation of the new strategy taking longer than anticipated to deliver forecast increases in revenue and profit;
- A further wave of the Covid-19 pandemic; and
- The terms of the Group's revised lending arrangements and whether these could limit investment in growth opportunities.

The forecasts on which the going concern assessment is based have been subject to sensitivity analysis and stress testing to assess the impact of the above risks. The Group has considered a plausible downside scenario, factoring in a reduction in sales volumes and a reduction in gross margin, offset by reductions in direct expenditure and discretionary operating costs. The results showed that under this scenario the Group will still be able to operate within the covenants with adequate headroom for the forecast period to 30 June 2022.

In considering the impact of these stress test scenarios the Directors have also reviewed realistic additional mitigating actions that could be taken over and above those already included in the downside scenario forecast to avoid or reduce the impact or occurrence of the underlying risks. These include further reductions to operating costs, cutting discretionary capital expenditure and disposing of non-core assets.

On consideration of the above, the Directors believe that the Group has adequate resources to continue in operational existence for the forecast period to 30 June 2022 and support, if required, the Company. The Directors therefore consider it is appropriate to adopt the going concern basis in preparing the 2020 Financial Statements of the Company.

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

Income tax on the profit or loss for the periods presented comprises both current and deferred tax. Income tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Companies business model for managing them.

Financial assets are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets are all measured at amortised cost. The Company's financial assets

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting policies (continued)

include amounts due from fellow subsidiary undertakings.

Impairment of financial assets

The Company assesses, on a forward looking basis, the expected credit losses associated with Amounts due from fellow subsidiary undertakings. The impairment methodology applied depends on the ability to repay amounts repayable on demand and whether there has been any significant change in credit risk. The amount of expected credit losses is updated at each reporting date to reflect any changes.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

The Company's financial liabilities are all measured at amortised cost.

Taxation

Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the course of preparing the Financial Statements, no judgements have been made in applying the Company's accounting policies that have had a significant effect on the amounts recognised in the Financial Statements and there are no estimates which may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities recognised by the Company within the next financial year.

3. Auditor's remuneration

The auditor's remuneration for the audit of the Financial Statements has been borne by another Group undertaking.

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Consolidated Financial Statements of its ultimate parent Company, SIG plc.

4. Employees

There were no employees of the Company in the period except for the Directors.

None of the Directors received emoluments from the Company.

The Directors are employees of the holding company, SIG plc, and are also Directors of other Group companies. It is not practicable to allocate their remuneration between their services as employees on behalf of SIG plc and their services as Directors of other group companies and they have not been recharged.

5. Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable from fellow subsidiary undertakings (see Note 8)	1,043	1,241
	<u>1,043</u>	<u>1,241</u>

6. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on loan notes (see Note 10)	1,669	1,708
Interest payable on subordinated debt (see Note 10)	331	520
	<u>2,000</u>	<u>2,228</u>

SIG (IFC) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on loss for the year	(317)	(325)
Tax on loss	(317)	(325)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Loss before tax	(957)	(987)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19%	(182)	(188)
Effects of:		
Expenses not deductible for tax purposes	63	99
Non-taxable income	(198)	(236)
Total tax credit for the period	(317)	(325)

Factors that may affect future tax charges

At Budget 2021 the Government announced that the main rate of corporation tax in the UK will increase by 6% to 25% from 1 April 2023.

8. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by fellow subsidiary undertakings	34,489	-
	34,489	-
Due within one year		
Amounts owed by fellow subsidiary undertakings	874	33,938
	874	33,938

SIG (IFC) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8. Debtors (continued)

SIG Trading Limited has assigned the beneficial ownership of a managed pool of customer receivable balances to the Company. The legal title for these receivables has been passed to the Company, however, any impairment exposure remains with SIG Trading Limited and therefore the Company recognised the amount owed by SIG Trading Limited, not the external receivable balances. The receivable pool was assigned to SIG (IFC) Limited at a discounted rate of 0.6%.

At 31 December 2020, the amounts owed by fellow subsidiary undertakings due after more than one year represents the pool of receivables due from SIG Trading limited, accrued interest and any subsequent movements in the pool. The balance is recognised at amortised cost and is expected to reduce gradually over 20 years in line with the payment profile of the bond liability (Note 10).

At 31 December 2020, the amounts owed by fellow subsidiary undertakings due within one year relate to group relief, are repayable on demand and bear no interest.

At 31 December 2019 the managed pool of receivables was presented as due within one year because the deferral of the 31 January loan payment (see Note 10) constituted an event of default under the terms of the master receivables agreement, which gave the Company the right to terminate the agreement and which if exercised would mean that no further customer receivable balances would be assigned to the Company and all amounts outstanding would be due and payable within twelve months of the balance sheet date. As noted in Note 10, the breach of the receivables agreement and other relevant agreements was waived by a formal deed of waiver during 2020 such that the arrangement continues to operate as intended.

9. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	-	8,075
	<u>-</u>	<u>8,075</u>
	<u>-</u>	<u>8,075</u>

SIG (IFC) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Creditors: Amounts falling due within one year

	2020	2019
	£000	£000
Loan note due to fellow subsidiary undertaking	2,500	34,931
Other amount payable to fellow subsidiary undertaking	-	8,075
Subordinated loan	-	206
	2,500	43,212
	2,500	43,212

Details of the loan note due to fellow subsidiary undertaking and subordinated debt due to fellow subsidiary undertaking are provided in Note 11.

At 31 December 2020, the loan note of £2.5m is due to the SIG 2018 Scottish Limited Partnership in connection with the purchase of the managed pool of customer receivables.

At 31 December 2019, the loan note due to fellow subsidiary undertaking and subordinated debt due to fellow subsidiary undertaking was reclassified as current liabilities on the balance sheet because the deferral of the 31 January 2019 loan payment constituted an event of default under the terms of the loan note instrument and from an accounting perspective at the balance sheet date the Company did not have an unconditional right to defer settlement of the liability for at least twelve months. The breach of the loan note and other relevant agreements was waived by a formal deed of waiver during 2020 and therefore the only balance actually due within twelve months of the 2019 balance sheet date was the £2.5m loan repayment payable on 31 March 2020. Further details on the terms of this liability are included in Note 11.

11. Creditors: Amounts falling due after more than one year

	2020	2019
	£000	£000
Loan note due to fellow subsidiary undertaking	31,600	-
Subordinated debt due to fellow subsidiary undertaking	3,102	-
	34,702	-
	34,702	-

The consideration for the Company acquiring the initial receivables (see Note 8) was satisfied through the issue of a £32m secured fixed rate loan note and a subordinated debt facility.

The £32m loan note is due to the SIG 2018 Scottish Limited Partnership, is measured at amortised cost, accrues interest at 5% and is repayable in equal annual instalments over 20 years to 31 January 2038. The loan note is listed at the International Stock Exchange Authority Ltd.

At 31 December 2019, the balance was classified as a current liability as explained in Note 10. The terms of the loan note were amended subsequent to the year-end whereby the first payment that was due 31 January 2019 was deferred to the end of the loan term and a revised amortisation schedule agreed. Any breaches of the loan note and receivables purchase agreement were waived by a formal deed of waiver agreement and additional interest due on the deferred payment until the deed of waiver has been accrued accordingly.

The subordinated debt is owed by the Company in favour of SIG Trading Limited through a Rolling Credit Facility Agreement, allowing the Company to draw down amounts to fund subsequent purchases of receivables. The debt is measured at amortised cost and accrues interest at 5% on the outstanding balance dependant on the cash flows from receivables acquired and sold. The balance was classified as a current liability at 31 December 2019 consistent with the loan note as explained above and in Note 10.

SIG (IFC) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Share capital

	2020	2019
	£	£
Authorised, allotted, called up and fully paid		
1 (2019: 1) Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

13. Controlling party

The Company's immediate parent undertaking is SIG Trading Limited, a company registered in England and Wales. The Company's ultimate parent Company and ultimate controlling party is SIG plc, which is also registered in England and Wales.

The only group in which the Financial Statements of the Company are consolidated is that headed by SIG plc, the ultimate parent Company. The Consolidated Financial Statements are available to the public and may be obtained from Adsetts House, 16 Europa View, Sheffield Business Park, Sheffield, S9 1XH, or via the Company website www.sigplc.com.

As a subsidiary company of SIG plc, the Company has taken advantage of the exception in IAS 24 Related Party Disclosures not to disclose transactions with other wholly owned members of the Group headed by SIG plc.